

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2015

Docket No. ACR2015

PUBLIC REPRESENTATIVE INITIAL COMMENTS ON THE
FY 2015 PERFORMANCE REPORT AND FY 2016 PERFORMANCE PLAN

(February 26, 2016)

Respectfully submitted,

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I. INTRODUCTION

In response to the Commission's request in its notice of this proceeding, the Public Representative hereby provides comments concerning the Postal Service's FY 2015 Performance Report and FY 2016 Performance Plan (Performance Report and Plan).¹ The Postal Service prepared and filed its annual performance report and annual performance plan pursuant to 39 U.S.C. §§ 2804 and 2803, respectively.² As required by 39 U.S.C. §3653(d), the Commission must then evaluate whether or not the Postal Service has met the goals established under sections 2803 and 2804.

In its Notice, the Commission asks commenters to consider:

- If the Postal Service met the established performance goals;
- If the Performance Report and Plan meet statutory requirements, including 39 U.S.C. §§ 2803 and 2804;

¹ Notice and Order Regarding the Postal Service FY 2015 Annual Performance Report and FY 2016 Annual Performance Plan, January 14, 2016 (Notice).

² The Performance Report and Plan is a part of the Postal Service's 2015 Annual Report to Congress. See, Docket No. ACR2015, Library Reference USPS-FY15-17, December 29, 2015, United States Postal Service Annual Report to Congress at 11-28 (FY 2015 Annual Report).

- The recommendations or observations the Commission should make concerning the Postal Service's strategic initiatives;
- The recommendations the Commission should provide to the Postal Service in relation to protecting or promoting public policy objectives under 39 U.S.C. § 3653(d); and
- Other matters relevant to the Commission's analysis of the Performance Report and Plan under 39 U.S.C. § 3653(d).

Notice at 2-3.

II. LEGAL REQUIREMENTS

Pursuant to 39 U.S.C. § 3652(g), the Postal Service filed the Performance Report and Plan with the Commission along with its FY 2015 Annual Compliance Report (FY 2015 ACR). The Commission is required to evaluate "whether the Postal Service has met the goals established under sections 2803 and 2804, and may provide recommendations to the Postal Service related to the protection or promotion of public policy objectives set out in [title 39]." See 39 U.S.C. § 3653(d).

As set forth in 39 U.S.C. § 2803 governing Performance Plans, each annual performance plan shall:

- Establish performance goals to define the level of performance to be achieved by a program activity (see § 2803(a)(1));
- Express the goals in an objective, quantifiable and measureable form (see § 2803(a)(2));³
- Include a brief description of operational processes and resources required to meet the performance goals (see § 2803(a)(3));
- Establish performance indicators for measuring or assessing the relevant outputs, service levels, and outcomes of each project activity (see § 2803(a)(4));
- Provide a basis for comparing actual program results with the performance goals (see § 2803(a)(5)); and

³ This is required unless the Postal Service decides to use an alternative form as prescribed in section 2803(b).

- Describe the means for verification and validation of measured values (see § 2803(a)(6)).

As set forth in 39 U.S.C. § 2804 governing Program Performance Reports, each Report shall:

- Set forth the performance indicators established in the performance plan, along with the actual program performance achieved compared with the performance goals for that fiscal year (see § 2804(b)(1));
- If the performance goals are specified by descriptive statements of a minimally effective program activity and a successful program activity, the results of such program shall be described in relation to those categories and whether the performance failed to meet the criteria of either category (see § 2804(b)(2));
- Include actual results for three preceding fiscal years (see § 2804(c));
- Review the success of achieving the performance goal (see § 2804(d)(1));
- Evaluate the current performance plan relative to the performance achieved in that fiscal year covered by the report (see § 2804(d)(2));
- Explain, where applicable, why the goal was not met and describe the plans and schedules for achieving the established performance goal or why it may not be achievable and what action would be recommended (see § 2804(d)(3)); and
- Include the summary findings of the program evaluations for the fiscal year covered in the report (see § 2804(d)(4)).

Prior to FY 2013, the Commission included its analysis of the Performance Report and Plan within the Annual Compliance Determination (ACD) report.⁴ The Commission has since determined that its “obligations under section 3653(d) are distinguishable from its annual compliance determination obligations under section

⁴ See, e.g., Docket No. ACR 2012, Annual Compliance Determination, March 28, 2013, at 43-46 (FY 2012 ACD).

3653(b).”⁵ Therefore since FY 2013, the Commission has been issuing a separate report on the Postal Service’s Performance Report and Plan.⁶

III. COMMENTS ON THE PERFORMANCE REPORT AND PLAN

A. The Postal Service Falls Short in Meeting the Established Goals

The Performance Report and Plan focuses on the following four goals:⁷

- Deliver High-Quality Services (Service, % On-Time);
- Provide Excellent Customer Experiences (Customer Experience);
- Ensure a Safe Workplace and Engaged Workforce (Workplace Environment); and
- Sustain Controllable Income.

Based on an analysis of the Performance Report and Plan, and for the reasons described below, the Public Representative concludes that the Postal Service either only partially met or totally failed to meet its established performance goals.

1. Deliver High-Quality Services (% On-Time)

While estimating the Quality of Services, the Postal Service uses % On-Time delivery as a measure. As Table 1 illustrates, service performance targets are not met for any of the performance indicators the Postal Service uses to measure Deliver High-Quality Services.⁸ The highest gaps between actual service and the applicable targets are observed for the three-to-five day delivery standard for First-Class Presort Mail

⁵ Docket No. ACR2013, Notice Regarding the Postal Service’s FY 2013 Performance Report and FY 2014 Performance Plan, January 17, 2014 (Order No. 1972).

⁶ The Commission issued the first report of this kind in July 2014. See Docket No. ACR 2013, Review of Postal Service FY 2013 Performance Report and FY 2014 Performance Plan, July 7, 2014 (FY 2013 Review).

⁷ FY 2015 Annual Report at 13-21.

⁸ In Table 1, as well as in Tables 4 and 5 below, the highlighted cells indicate the actual performance scores that are worse than the target scores.

(7.47 percentage point differential) and the three-to-five day delivery standard for First-Class Single-Piece Mail (18.69 percentage point differential).

Table 1:
FY 2011 – FY 2015 Actual Results and FY 2011 – FY 2016 Targets
for the Performance Goal “Deliver High-Quality Services” (% On-Time)

Performance Indicator	FY 2011		FY 2012		FY 2013		FY 2014		FY 2015		FY 2016
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Single-Piece First-Class Mail											
Overnight	96.65	96.23	96.65	96.48	96.70	96.14	96.80	96.00	96.80	95.55	N/A
Two-Day	94.15	93.34	94.15	94.84	95.10	95.26	96.50	94.90	96.50	93.28	96.50
Three-to-Five-Day	92.85	91.87	92.85	92.29	95.00	91.60	95.25	87.70	95.25	76.56	95.25
Presort First-Class Mail											
Overnight	N/A	N/A	N/A	96.80	96.70	97.20	96.80	97.00	96.80	95.74	96.80
Two-Day	N/A	N/A	N/A	95.70	95.10	97.00	96.50	96.40	96.50	93.56	96.50
Three-to-Five-Day	N/A	N/A	N/A	95.10	95.00	95.10	95.25	92.20	95.25	87.78	95.25
First-Class Composite	N/A	N/A	N/A	N/A	N/A	N/A	96.00	94.11	96.00	89.64	96.00
Standard Composite	N/A	N/A	N/A	N/A	N/A	N/A	91.00	90.09	91.00	89.58	91.00

Sources: For FY 2012 - FY 2016 targets/actual results see FY 2015 Annual Report at 14. For FY 2011 targets/actual results see Docket No. ACR 2014, Library Reference USPS-FY14-17, December 29, 2014, United States Postal Service Annual Report to Congress, FY 2014 Annual Performance Report and FY 2015 Performance Plan (FY 2014 Annual Report).

It is evident that in FY 2015, the Postal Service completely failed to meet its Deliver High-Quality Services goals. The failure is made worse by the fact that all performance indicators were at their lowest level (since either FY 2011 or the year when the scores are available).

The Public Representative also observes that for First-Class Composite and Standard Composite, the FY 2014 actual results provided in the Performance Report and Plan differ from the results reported last year.⁹ The Public Representative suggests that the Postal Service provide a clarification regarding the observed differences.¹⁰

⁹ Compare FY 2015 Annual Report at 14 with FY 2014 Annual Report at 39. See also Docket No. ACR 2014, Analysis of the Postal Service's FY 2014 Program Performance Report and FY 2015 Performance Plan, July 7, 2015 at 3 (FY 2014 Analysis).

¹⁰ FY 2014 was the first year the Postal Service measured Service (% On-Time) for First-Class Composite Mail, as well as for Standard Composite Mail. In FY 2015, as in the previous fiscal year,

In the Performance Report and Plan, the Postal Service explains that the decrease in the % On-Time scores is due to major changes being implemented “to create efficiencies in processing” as well as to the “ongoing growth in package mail.”¹¹ The Postal Service also states that “weather incidents continue to affect performance and comparison to previous years.”¹² As the Public Representative noted in the FY 2014 PR Comments, the weather incidents happen regularly and the Postal Service should be prepared to account for inclement weather in its operational plans.¹³ Therefore, the Public Representatives believes that inclement weather is not a sufficient justification for a failure to meet performance goals on an annual basis.

In its FY 2014 Analysis, the Commission provided an in-depth discussion of the severe weather factor and its role in not meeting the Postal Service’s performance targets.¹⁴ The Commission specifically directed the Postal Service to “consider further analyzing the times and areas impacted by severe winter weather and including more comprehensive service performance information in its FY 2015 Report and FY 2016 Plan.”¹⁵ The Public Representative cannot conclude that the Postal Service followed the Commission directives in the FY 2015 Performance Report and FY 2016 Performance Plan.

To help the Postal Service distinguish between the delivery delays it can control and those it cannot, the Commission also suggested that the FY 2015 Performance Report include delivery service performance measurements disaggregated by time

service performance target for First-Class composite mail is a combination of Single-Piece First-Class and Commercial First-Class performance with the aggregation of overnight, 2-day and 3-day service. Standard composite mail combines “Standard Mail destination entry for Sectional Center Facility (SCF) letters and National Distribution Center (NDC) letters and flats. FY 2015 Annual Report at 14.

¹¹ *Id.* at 15.

¹² *Id.*

¹³ See Docket No. ACR2014, Public Representative Initial Comments on the FY 2014 Performance Report and FY 2015 Performance Plan, February 25, 2015 at 7 (FY 2014 PR Comments).

¹⁴ FY 2014 Analysis at 19-21.

¹⁵ *Id.* at 21.

periods, geographic regions, or products.¹⁶ The Postal Service has not included any of the suggested disaggregated service performance measurements in the Performance Report and Plan, although it did provide some of the relevant information in response to an information request.¹⁷ For each Deliver High-Quality Services performance indicator the Postal Service listed postal districts/areas that met the performance targets in FY 2015 and provided these scores.¹⁸ Table 2 summarizes the information.

Table 2:
Postal Districts/Areas that Met the FY 2015 Targets for the
Performance Goal “Deliver High-Quality Services” (% On-Time)

Performance Indicator	# of Postal Districts	# of Postal Areas*
<i>Single-Piece First-Class Mail</i>		
Overnight	4	—
Two-Day	2	—
Three-to-Five-Day	—	—
<i>Presort First-Class Mail</i>		
Overnight	17	1
Two-Day	8	—
Three-to-Five-Day	—	—
First-Class Composite	—	—
Standard Composite	34	2

* Eastern Area met both Presort First-Class Mail Overnight and Standard Composite performance targets. Capital Metro Area met the Standard Composite target. There are 10 postal districts in the Eastern Area and 8 postal districts in the Capital Metro Area.

Source: Responses to Questions 7-11 of CHIR No. 9, Question 7.

As Table 2 illustrates, in FY 2015, none of the postal districts/areas met the three-to-five-day performance indicators for Single-Piece and Presort First-Class Mail or the First-Class Composite performance indicator. These results are highly discouraging and, considering the complete geographical coverage, could not be explained by severe

¹⁶ *Id.* at 22.

¹⁷ Responses of the United States Postal Service to Questions 7-11 of the Chairman’s Information Request No. 9, February 12, 2016 (Responses to Questions 7-11 of CHIR No. 9), Question 7.

¹⁸ From the information provided by the Postal Service it is not fully clear if the fact that the postal area met the performance target indicates that all postal districts in this area also met the targets. The Public Representative believes that the relevant clarification would be very useful.

weather. Also, taking into account that there are 67 postal districts in the Nation, it is evident that the vast majority of the Postal Districts did not meet any performance indicators for Single-Piece First-Class Mail. The best performance results (in terms of geographical coverage) are observed for the Standard Composite performance indicator (its targets were met in the vast majority of postal districts).

In spite of the observed continued degradation of the actual % On-Time scores, the Postal Service sets the same performance targets for FY 2016. It appears that in FY 2016, the Postal Service's capability to meet the established targets becomes even more problematic than in was in FY 2015. The improvement needed to meet each target in FY 2016 ranges from 1.06 to 18.69 points, depends on performance indicator. For comparison, in FY 2014, such range was between 0.10 and 7.55 points.¹⁹ Therefore, the Public Representative holds significant reservations that the Postal Service will meet the FY 2016 targets. The Public Representative feels obliged to restate that the Postal Service repeatedly sets unrealistic targets in its Performance Plan.²⁰

In its FY 2015 Annual Report, the Postal Service states that "the eventual completion of the second phase of the network consolidation project in FY2016...will improve overall service performance and allow the Postal Service to meet its targets." ²¹ The Public Representative finds that the quoted statement contradicts to some extent the other Postal Service's recent statements.

First, on the same page of the FY 2015 Annual Report, the Postal Service provides the opposite argument. In particular, the Postal Service states that the deferral of any additional processing network changes provided "a period for stabilization" of the workforce and service performance and since then the Postal Service experienced "continual improvements in overall service performance."²²

¹⁹ See: FY 2015 Annual Report at 14; FY 2014 Analysis at 17.

²⁰ FY 2014 PR Comments at 5.

²¹ FY 2015 Annual Report at 15.

²² *Id.*

Second, the positive impact of the second phase of the network consolidation on the service performance, as outlined in the Postal Service response to an information request,²³ will most likely not become a reality in FY 2016. The Postal Service recently confirmed that “Phase 2 consolidations are currently deferred and there is currently no scheduled date for completion.”²⁴

In the FY 2014 Analysis, the Commission concluded that in FY 2014 the Postal Service only partially met its Deliver High-Quality Services performance goal.²⁵ Considering the Postal Service’s failure to meet any established targets in FY 2015, it is evident that the Postal Service did not meet its Deliver High-Quality Services performance goal in FY 2015. The Public Representative is also very skeptical that the Postal Service will be able to meet its FY 2016 Service (% On-Time) targets set forth in the Performance Report and Plan. For transparency purposes and for the interests of the general public, the Public Representative believes it is important that the Postal Service provides detailed information explaining the steps and measures it is going to undertake to reach FY 2016 Service performance targets (which are kept on the same level as in FY 2015).²⁶

2. Provide Excellent Customer Experiences

In FY 2013, the Postal Service replaced the old metric and measurement system, Customer Experience Measurement (CEM) with the new – Customer Insights (CI)

²³ The Postal Service explains that “[t]he completion of the second phase will reduce the number of distribution points and separations being made each day...The consolidations also free up equipment....” The Postal Service therefore concludes that these changes “coupled with a balanced air and surface network” will allow it to improve First-Class Mail service. See Responses of the United States Postal Service to Questions 1 and 2 of Chairman Information Request No. 5, February 3, 2016 (Responses to Question 1 and 2), Question 2.

²⁴ Response of the United States Postal Service to Question 7 of Chairman’s Information Request No. 11, February 18, 2016 (Response to Question 7 of CHIR No. 11).

²⁵ FY 2014 Analysis at 17.

²⁶ With the exception of the overnight target for Single-Piece First-Class Mail, which is completely eliminated due to the elimination of the relevant overnight service performance standard.

measurement system.²⁷ FY 2014 was the first year when the Postal Service began measuring Customer Experience with the CI measurement system, which includes four subcomponents of the composite metrics (each representing a particular customer survey).²⁸ See Table 3. In FY 2015, the actual composite score for Customer Experience was 0.97 percentage points lower than the target. For three out of four composite metrics (except for Business Service Network), the actual performance score was lower than the target score. The Public Representative concludes that in FY 2015, the Postal Service did not meet its Provide Excellent Customer Experiences performance goal.

**Table 3:
Customer Insights Performance Indicators by Subcomponent**

	Weight by Subcomponent	FY 2014 Actual	FY 2015 Target	FY 2015 Actual	FY 2016 Target
Customer Insights (CI) metrics	100%	84.65	86.70	85.73	86.70
Business Service Network (BSN)	40%	94.05	94.00	94.32	N/A
The Point of Sale (PoS)	20%	81.59	90.00	86.28	N/A
Delivery Combined (Residential and Business)	20%	79.55	90.00	77.49	N/A
Customer Care Center (CCC)	20%	74.00	90.00	76.00	N/A

Sources: FY 2014 Analysis at 3, 25, 29; FY 2015 Annual Report at 14,17; Responses of the United States Postal service to Questions 1-6 of Chairman's Information Request No. 3, January 21, 2016 (Responses to CHIR No. 3), Question 4.

The Public Representative has also noticed certain inconsistencies in the presentation of targets in FY 2015 and FY 2016. As the Postal Service explains, it does not assign independent goals for each CI component.²⁹ Discussing the methodology of calculating the CI composite score, the Postal Service states that “each of the subcomponents is assigned a percentage weight, which is then applied to the

²⁷ FY 2014 Annual Report at 39.

²⁸ *Id.* at 23.

²⁹ Responses to CHIR No. 3, Question 4.

subcomponent score to calculate the overall composite.”³⁰ However, it is evident that the calculation of “the overall composite” score would be impossible if the score of each subcomponent were unknown. It appears that for FY 2016, the Postal Service does not set a priori any subcomponent targets, although it provided such targets for FY 2015. Also, the actual scores by subcomponent are available for FY 2014 and FY 2015. See Table 3. The Public Representative believes that the continued setting of CI targets for all four individual subcomponents will not only increase transparency, but also help the Postal Service better control the achievements of the overall composite target.

In the FY 2014 Analysis, the Commission clearly directed the Postal Service to explain in its FY 2015 Report “how to compare results between the old CEM and new CI surveys for similar customer experiences if it is unable to provide comparable results.”³¹ The Postal Service, however, completely ignored the Commission’s directives in its FY 2015 Annual Report. In addition, for different CI components, the Postal Service specifically points out the inability of the comparison between the [survey] results under the old and the new metrics. For example, the Postal Service states that although the questions in the FY 2013 CEM and the FY 2015 CI surveys for Residential, Small/Medium and Large Business customers are identical, “the methodology for obtaining the data changed” between these years, and the surveys now may generate different results than before.³² The Postal Service, therefore, explains that only the results for FY 2015 and FY 2016 will be directly comparable because the “identical survey questions and methodology” will be used here.³³ However, as discussed above, the Postal Service does not set up the FY 2016 goals for subcomponents “independent of the CI composite goal.”³⁴ As a result, any comparison between actual subcomponent

³⁰ *Id.*

³¹ FY 2014 Analysis at 30.

³² Responses of the United States Postal Service to Questions 1-15 of Chairman’s Information Request No. 14, February 23, 2016 (Responses to CHIR No. 14), Questions 14-15.

³³ *Id.*

³⁴ Responses to CHIR No. 3, Question 4.

scores over the years becomes impossible. The Public Representative, therefore, suggests that the Postal Service provide a methodology for comparison of the FY 2015 and FY 2016 survey results.

3. Ensure a Safe Workplace and Engaged Workforce

In its evaluation of a safe workplace and engaged workforce, the Postal Service traditionally relied on two performance indicators – OSHA Illness and Injury (I&I) rate and the Voice of Employee (VoE) Survey results.³⁵ In FY 2015, the Postal Service, however, replaced the VoE survey with “the Gallup Q12 Employee Engagement Survey,” which was introduced to employees as the Postal Pulse.³⁶ The Postal Service proclaims multiple advantages of the Postal Pulse survey.³⁷ However, the Public Representative observes a few shortcomings. First, as the Postal Service explains, the newly introduced Postal Pulse survey does not allow for direct comparison between its results and the results from the VoE survey because the “Postal Pulse is purely a measure of Employee Engagement (as compared with the VOE, which measured engagement and satisfaction).”³⁸ Second, the Postal Service does not provide any FY 2015 actual scores or FY 2016 target scores for the Postal Pulse survey results, which makes the future comparison of scores over years rather difficult, if not impossible.

As to the second performance indicator, the OSHA I&I rate, in FY 2015 it is 6.55, which shows a deterioration of 1.45 points compared with the FY 2015 target. The comparison between the current and historic targets, as well as between the targets and the actual rates is problematic because the Postal Service periodically revises actual

³⁵ Occupational Safety and Health Administration (OSHA) of the United States Department of Labor provides the following formula for I&I rate calculation. Total number of OSHA illnesses and injuries is multiplied by 200,000 hours (100 employees working 2,000 hours per year) and divided by number of exposure hours worked by all employees. FY 2015 Annual Report at 14.

³⁶ FY 2015 Annual Report at 18.

³⁷ *Id.*

³⁸ See Responses to CHIR No. 3, Question 5.

rates for prior years “due to employee claims filed after the close of the fiscal year.”³⁹ It is still, however, not clear why the Postal Service also revises the performance targets for prior years, although the methodology for calculating the OSHA I&I rate does not seem to be changed.⁴⁰ The Public Representative believes that the provided modifications of the target rates not only complicate the analysis of performance indicators over years, but make the established targets not reliable. The Public Representative suggests that the Postal Service clarify the reasons for such revisions.

Table 4 provides a comparison of scores from FY 2012 through FY 2016 based on the most recent revisions of the results and targets as they are filed in the FY 2015 Annual Report. It is easy to see that for the last three years the Postal Service failed to meet the performance targets for the OSHA I&I rate, and the differences between the target and actual scores in FY 2014 – FY 2015 were quite notable. It appears that the replacement of the VoE survey by the Postal Pulse creates at least two additional challenges. First, it leads to an inability to compare the performance indicators for different years. Second, it makes it very difficult (if not impossible) to evaluate the Postal Pulse results (since there are no target scores for the Postal Pulse).

Table 4:
FY 2012 – FY 2015 Actual Results and FY 2012 – FY 2016 Targets
for the Performance Goal “Ensure a Safe Workplace and Engaged Workforce”

Performance Indicator/Measure	FY 2012		FY 2013		FY 2014		FY 2015		FY 2016
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
OSHA Illness & Injury Rate	5.72	5.44	5.20	5.63	5.10	6.68	5.10	6.55	6.05
Employee Survey:									
Voice of Employee (VoE)	64.90	64.70	64.95	64.70	65.10	65.01	65.10	N/A	N/A
The Postal Pulse (PP)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.16	N/A

Sources: FY 2015 Annual Report at 14; Responses to CHIR No. 3, Question 5.

³⁹ FY 2015 Annual Report at 17-18.

⁴⁰ For example, in the FY 2015 Annual Report, the FY 2014 OSHA I&I target rate is listed as 5.10. See FY 2015 Annual Report at 14. However, in the FY 2014 Annual Report, the listed rate for the same performance target is 5.55. See FY 2014 Annual Report at 39; FY 2014 Analysis at 3.

The OSHA I&I target for FY 2016 is currently set as 6.05. As Table 4 illustrates, this is 0.50 points lower than the FY 2015 OSHA I&I actual rate, but still 0.95 points higher than the target set in FY 2014 – FY 2015. The Public Representative acknowledges that the Postal Service has made the FY 2016 OSHA I&I target rate more conservative.

4. Sustain Controllable Income

To track financial performance results, the Postal Service uses two metrics – Deliveries per Hour (DPH) and Net Controllable Income/Loss (NCI). See Table 5.

Table 5:
FY 2011 – FY 2015 Actual Results and FY 2011 – FY 2016 Targets
for the Performance Goal “Sustain Controllable Income”

Performance Indicator	FY2011		FY 2012		FY 2013		FY 2014		FY 2015		FY 2016
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
Deliveries per Hour	40.40	39.90	42.20	41.00	42.70	41.60	42.90	42.00	42.40	41.50	42.00
Net Controllable Income	(0.90)	(2.70)	(3.00)	(2.40)	(2.00)	(1.00)	0.90	1.37	1.10	1.19	0.10

Sources: FY 2015 Annual Report at 14; FY 2013 Review at 8.

In FY 2015, the actual net controllable income was \$1.19 billion. This exceeds the FY 2015 target of \$1.10 billion.⁴¹ Since the publication of the FY 2014 Performance Report and FY 2015 Performance Plan, the Postal Service has revised the FY 2015 target (lifting it from \$0.5 billion to \$1.1 billion) “to reflect additional savings from changes in the employee mix that were not reflected in the original plan.”⁴² The net controllable income reported in FY 2014 – FY 2015 indicates a significant improvement towards the \$1.0-2.7 billion loss experienced in FY 2011 through FY 2013.⁴³

⁴¹ FY 2015 Annual Report at 14.

⁴² *Id.* at 20.

⁴³ *Id.* 14 and FY 2014 Annual Report at 39.

The Postal Service indicates that the primary reasons for the FY 2015 revenue increase are the CPI price change implemented in May 2015, and the exigent surcharge on Market Dominant products that was in effect for the entire financial year.⁴⁴ The FY 2016 target for the net controllable income is \$0.1 billion, which is substantially lower than the actual FY 2014 – FY 2015 results. The Postal Service explains that the decrease in the FY 2016 target is primarily due to the expected roll-back of the exigent price increase on Market-Dominant Products (that has been in effect since January 2014).⁴⁵

In FY 2015, DPH decreased slightly, from 42 to 41.5, breaking the upward trend observed from FY 2011 through FY 2014.⁴⁶ DPH did not meet the FY 2015 target of 42.4, which was not only lower than the FY 2014 target, but was further lowered since the publication of the FY 2015 Performance Plan.⁴⁷ In the FY 2014 PR Comments, the Public Representative warned that the original FY 2015 target for DPH of 43.3 was aggressive.⁴⁸ As it appears, even the lowering the target to 42.4 did not make the DPH goal achievable.

The Postal Service provides various reasons for not meeting the FY 2015 DPH target, summarizing them as “an overrun of the work hour plan.”⁴⁹ Among the listed factors that prevented the Postal Service from meeting its FY 2015 DPH target, many factors look virtually the same as the ones listed in the FY 2014 Annual Report. For example, Postal Service’s list includes “strong growth in Sunday package delivery”

⁴⁴ FY 2015 Annual Report at 20.

⁴⁵ *Id.* at 22.

⁴⁶ *Id.* at 14; FY 2014 Annual Report at 39.

⁴⁷ The FY 2015 target reported in the FY 2015 Annual Report is different from the one indicated in the FY 2014 Performance Report and FY 2015 Performance Plan (FY 2014 Annual Report at 39). Lacking explanation from the Postal Service, the Public Representative assumes that the lowering of the original FY 2015 target was done to “reflect deferral of Network Rationalization, Phase 2” as it was done in for the FY 2014 target. FY 2015 Annual Report at 14, footnote 7.

⁴⁸ FY 2014 PR Comments at 14.

⁴⁹ FY 2015 Annual Report at 19.

(*compare with* “additional workload from Sunday package delivery” listed in FY 2014 Annual Report); “not capturing all of Network Rationalization phase 2 savings” (*compare with* “did not capture all of planned savings associated with Phase 1”); “additional workload from volumes and delivery points in excess of the plan” (*compare with* “additional hours used to avoid delaying mail and to keep our network moving during the Christmas season”), etc.⁵⁰ The Public Representative strongly believes that the majority, if not all, of these factors should have been considered within the Postal Service’s operations. The Public Representative also suggests that the Postal Service develop and provide the Commission with the list of preventive measures that may help in meeting the FY 2016 targets.

As Table 5 illustrates, the Postal Service has not met its DPH targets for the last five years. The Public Representative concludes that the Postal Service has fallen short of the targets set in this category since it changed its measurement indicator in FY 2011, when Deliveries per Hour replaced Total Factor Productivity.⁵¹ Taking into account that the Postal Service did meet the net controllable income target in FY 2015, the Public Representative concludes that the Postal Service partially met its Sustain Controllable Income goal.

B. Compliance with the Requirements of 39 U.S.C. §§ 2803 and 2804

The Public Representative believes that the FY 2014 Performance Report and FY 2015 Performance Plan satisfied the requirements of U.S.C. § 2803, but failed to meet some of the statutory requirements of U.S.C. § 2804.

⁵⁰ FY 2015 Annual Report at 19-20; FY 2014 Annual Report at 41.

⁵¹ United States Postal Service 2011 Annual Report to Congress and Comprehensive Statement on Postal Operations at 35. See <https://about.usps.com/publications/annual-report-comprehensive-statement-2011/annual-report-comprehensive-statement-2011.pdf>

1. The Performance Plan – Provisions of § 2803

The Public Representative concludes that the Performance Plan meets the requirements of section 2803 of title 39.

The Postal Service sets four performance goals, and all of them except the Workplace Environment goal can be considered “objective, quantifiable, and measurable” as required by §§ 2803(a)(2). The Workplace Environment goal has two performance indicators, and only one of these indicators (ISHA Illness & Inquiry Rate) measures or accesses “the relevant outputs, service levels, and outcomes of each program activity” as required by §§ 2803(a)(2). The second performance indicator is the Postal Pulse survey, and, as discussed above, the Postal Service does not set any [measurable] target for the Postal Pulse. See Section II.A.3 of the Initial Comments. In accordance with §§ 2803(b), however, “[i]f the Postal Service determines that it is not feasible to express the performance goals for a particular program activity in an objective, quantifiable, and measurable form, the Postal Service may use an alternative form.” The Public Representative generally agrees that the Postal Pulse survey falls under the exception set forth in §§ 2803(b). The Public Representative still suggests that to insure compliance with § 2803 and better transparency, the Postal Service (where feasible) shall provide all the required “separate descriptive statements...that would allow for an accurate, independent determination of whether the program activity’s performance meets the criteria of either description.” See § 2803(b).

For the majority of performance goals, the FY 2015 Performance Plan includes “a brief description of operational resources required to meet the performance goals” and therefore, satisfies the requirements of 2803(a)(3). However, as the Public Representative noted above, this information does not always appear to be sufficient and an additional clarification could be useful. See Section III.A.1 of the Initial Comments.

In the FY 2014 Analysis, the Commission indicated that the FY 2014 Performance Plan did not cover “each program activity set forth in the Postal Service budget.” The Commission requested that “in future Annual Performance Plans, the Postal Service should provide “performance indicators for each program activity in its budget” and describe “how each performance indicator measures each program activity’s performance.”⁵² The Postal Service has not included any requested information in the FY 2015 Performance Report and the FY 2016 Performance Plan, but provided it the Responses to CHIR No. 5. The Postal Service indicates that four corporate performance goals (identified in the Performance Report and Plan) impact “the Postal Service’s budget and basic mission” because they “affect the agency’s general viability and effectiveness as a service provider to the American public.”⁵³ The Postal Service also identifies its program activities as they are listed in the FY 2016 United States Budget, and discusses how the FY 2016 Performance Plan covers these activities.⁵⁴ The Public Representative suggests that in the future, the Postal Service includes the required information in its Performance Report and Plan.

2. The Performance Report – Provisions of § 2804

The Public Representative finds that the FY 2015 Performance Report meets most, but not all, requirements of § 2804 of title 39.

As required by § 2804 (d)(2), the Performance Report must “[e]valuate the current performance plan relative to the performance achieved in that fiscal year covered by the report.” However, in the FY 2015 Performance Report, the Postal Service does not compare FY 2016 targets with FY 2015 results for some performance indicators for three performance goals. For the Customer Experience goal, the Postal Service does not set any FY 2016 targets for subcomponent categories of the Customer

⁵² FY 2014 Analysis at 10-11.

⁵³ Responses to CHIR No. 5, Question 1.

⁵⁴ *Id.*

Insights metrics, although provides the corresponding actual results. See Section III.A.2 of the Initial Comments. For the Workplace Environment goal, the Postal Service does not set the FY 2016 numeric target for the Postal Pulse, although provides the FY 2015 national average survey score as the FY 2015 result(s) in response to an information request.⁵⁵ See Section III.A.3 of the Initial Comments. Finally, the Postal Service does not compare the FY 2016 target with the FY 2015 actual result for Single-Piece First-Class Mail Overnight performance measure (which is part of the Service goal) due to the changes in service standards occurring in FY 2015. The Public Representative, therefore, concludes that the FY 2015 Performance Report only partially meets the requirements of § 2804 (d)(2).

In order to comply with § 2804(c), the Postal Service must “include actual results for three preceding fiscal years.” The Performance Report does not meet this requirement because the Postal Service has recently discontinued (and then replaced) the performance indicators for two performance goals. In FY 2013 – FY 2014, the Postal Service introduces the Customer Insight metrics (and discontinues the CEM metrics) to measure the Customer Experience goal. In FY 2015, the Postal Service replaces the VoE survey with the PP survey. The Performance Report does not contain any comparable results for these performance indicators for FY 2013, FY 2014 and FY 2015.

Also, as discussed in Section III.A. of the Initial Comments, the Postal Service did not meet many of the established targets for the performance goals. As required by 39 U.S.C. § 2804(d)(3), the Postal Service should in that case (1) explain why the goal is not met; (2) provide the plans and schedules for achieving the goal, and (3) if the performance goal is impractical or infeasible, indicate the reason for it and provide any recommended corrective actions. The Public Representative concludes that although the Postal Service provided some explanation for not meeting the goals, such

⁵⁵ Responses to CHIR No. 3, Question 5.

explanation it not always sufficient. Moreover, the Postal Service did not provide any actual schedules for achieving the goals.

IV. STRATEGIC INITIATIVES

In the Notice, the Commission also invited public comment on recommendations or observations that the Commission should make regarding the Postal Service's strategic initiatives.⁵⁶ Strategic initiatives were first introduced in FY 2010 as temporary projects designed to help the Postal Service achieve its performance goals.⁵⁷

In its FY 2015 Annual Report, the Postal Service provides the list of the strategic initiatives as a part of the FY2015 Comprehensive Statement on Postal Operations. The Postal Service briefly discusses its 17 strategic initiatives by including a table comparing the FY 2014 and FY 2015 initiatives, and linking them to the corporate [service performance] goals and relevant strategies. Using special symbols, the Postal Service indicates the changes from last year to any particular initiative (*i.e.*, if the initiative is new, refined, continued, combined or closed).⁵⁸

The presentation of the FY 2015 initiatives is consistent with the presentation of the FY 2014 initiatives and provides a significant improvement in comparison with previous years.⁵⁹ However, as the Public Representative suggested in her FY 2014 PR Comments, the Postal Service should provide more detailed information regarding the key activities associated with the initiative, resource requirements and the estimated timeline.⁶⁰ In its FY 2014 Analysis, the Commission specifically recommended "that the Postal Service establish performance measures for each strategic initiative," and

⁵⁶ Notice at 2.

⁵⁷ FY 2014 Analysis at 51.

⁵⁸ FY 2015 Annual Report, Part 2 – FY 2015 Comprehensive Statement on Postal Operations at 64-65. *See also* Responses of the United States Postal Service to Questions 1-6 of Chairman's Information Request No. 9, February 11, 2016 (Responses to Questions 1-6 of CHIR No. 9), Question 5.

⁵⁹ FY 2014 Analysis at 58; FY 2014 PR Comments at 16.

⁶⁰ FY 2014 PR Comments at 17.

explained that otherwise it would be difficult to measure progress for the strategic initiatives.⁶¹ The Commission also suggested that in the table provided in the report, the Postal Service include the initiatives not only for the prior years, but also for the upcoming year.⁶² The Postal Service, however, has not implemented any of these recommendations in its FY 2015 Annual Report. The Public Representative expresses a hope that the Postal Service implements the stated recommendation in the FY 2016 Annual Report.

V. CONCLUSION

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

Respectfully submitted,

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⁶¹ FY 2014 Analysis at 59.

⁶² *Id.* See also, Docket No. ACR 2014, United States Postal Service Response to Question 28 of Chairman's Information Request No. 13, March 30, 2015, Question 28b.